

DIXIE STATE UNIVERSITY

Single Audit Management Letter
For the Year Ended June 30, 2016

Report No. 16-08



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Bertha Lui, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 16-08

November 10, 2016

To the Board of Trustees, Audit Committee,
and
Richard B. Williams, President
Dixie State University

This management letter is issued as a result of Dixie State University's (University's) portion of the statewide federal compliance audit for the year ended June 30, 2016. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. We tested the following federal programs as major programs on a statewide level:

- Student Financial Assistance Cluster
- Career & Technical Education Program
- TRIO Cluster

In planning and performing our statewide compliance audit of the programs listed above, we considered the University's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2016. We also considered the University's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major programs tested in order to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. However, we consider the deficiency in internal control over compliance presented in the accompanying schedule of findings and recommendations as Finding No. 1 to be a significant deficiency.

During our audit, we also became aware of a deficiency in internal control other than significant deficiencies or material weaknesses that is an opportunity for strengthening internal controls and operating efficiencies. This other finding is included in the accompanying schedule of findings and recommendations.

The University's written responses to and Corrective Action Plans for the findings identified in our audit were not subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the personnel of the University during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

cc: Paul Morris, Vice President of Administrative Services
Frank B. Lojko, Vice President of Student Services
A. Scott Talbot, Executive Director of Business Services
Scott Jensen, Associate Director of Business Services,
Cheri Capps, Director of Accounting
Michael C. Pinegar, Internal Audit Director
Krystal Thompson, Director of Payroll and Grants
J.D. Robertson, Executive Director, Financial Aid Office
Carlene Holm, Director of Revenue
Jonathan Morrell, Director, Student Support Services
Kitty Hughes, Director, Educational Talent Search
Craig Harter, Director, Upward Bound
Nancy Hauck, CTE Director

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FOR THE YEAR ENDED JUNE 30, 2016

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Finding Type:

SD Significant Deficiency of Internal Control

RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

1. INADEQUATE INTERNAL CONTROL OVER RETURN OF TITLE IV FUNDS CALCULATION

Federal Agency: **Department of Education**

CFDA Numbers and Titles:

84.007 Federal Supplemental Educational Opportunities Grants

84.033 Federal Work-Study Program

84.038 Federal Perkins Loan – Federal Capital Contributions

84.063 Federal Pell Grant Program

84.268 Federal Direct Student Loans

Federal Award Numbers: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Finding Number(s): N/A

Dixie State University (University) did not properly include scheduled breaks of five days or more, as required by federal regulations (34 CFR 668.22), in its calculation of return of Title IV funds for the Fall 2015 and Spring 2016 semesters. This resulted in the University returning \$132 more in Title IV funds than should have been returned for the two University students included in our statewide sample of 40 students who withdrew during the fiscal year. The error occurred due to oversight by the University's Financial Aid Office. Improper determination, calculation, and return of Title IV funds results in noncompliance with federal regulations. Because the University returned more Title IV funds than required for these sampled students, we have not questioned any costs.

Recommendation:

We recommend that the University strengthen internal controls to ensure that the return of Title IV funds are correctly calculated and returned in a timely manner.

University's Response:

Dixie State University agrees with audit finding number one as outlined in the Government Auditing Standards 4.17.d and Uniform Guidance 200.516(b)(10)).

Corrective Action Plan:

- *Recalculated all R2T4 calculations for Fall 2015 and Spring 2016 semesters.*
 - *Because the error caused us to return too much money to the Department of Education, it was DSU's decision not to adjust the actual returns to the Department of Education because the initial returns were in the student's favor. The corrected R2T4 calculations resulted in no negative affect to the students. Intuitional funds were used to correct all accounts where students received excess refunds.*

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

- *Established a better check and balance process at DSU to make sure that the breaks are set up correctly.*
 - *The Registrar has added it to their process. When they set up new semesters in Banner, they will set up the breaks in their system.*
 - *The Financial Aid Office has added it to our “New Year Set-Up Procedure” so that we verify that the breaks have been established.*
 - *The Financial Aid Office has added it to our electronic calendar to remind us to re-check prior to the start of each semester.*

*Contact Person: J. D. Robertson, Executive Director of Financial Aid and Scholarships,
435-652-7576*

Anticipated Completion Date: Recalculation was completed by June 6, 2016.

2. INACCURATE ANNUAL PERFORMANCE REPORT

Federal Agency: **Department of Education**

CFDA Number and Title: **84.042 Student Support Services–TRIO**

Federal Award Number: **P042A100174**

The University over reported the “number of current participants served” in the TRIO Student Support Services program by 96 students because it did not understand how to update this field on the federal website, nor did it understand the importance of this critical field in the report. The program director noticed the error while submitting the report and contacted the Department of Education help desk; however, the issue was not resolved.

According to the Annual Performance Report instructions, the University must certify that the information submitted is accurate, complete, and readily verifiable by signing the report. Although the report was signed, the University did not have adequate internal controls to ensure proper verification of the report’s accuracy. Inaccurate reporting could result in improper analytical data being used to evaluate the program, which could affect future funding.

Recommendation:

We recommend the University improve its understanding of the TRIO Student Support Services program reporting requirements in order to ensure accurate reporting of student information and strengthen its internal controls over program reporting.

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

University's Response:

Dixie State University agrees with the finding.

Corrective Action Plan:

The new 2015-2016 Annual Performance Report (APR) will be available beginning the first week of November. Hopefully, the Department of Education has corrected the reporting process where the Tier 2 students will match the actual number of students served during the 2015-2016 academic year. This problem has been tied to the Dept. of Education APR process since 2012.

Accurate reporting will entirely depend on the updates to the Dept. of Education APR software.

All previously submitted APR were accurate according to the Dept. of Education since all records have cleared Tier II validation and were received successfully.

*Contact Person: Jonathan Morrell, Director TRIO Student Support Services, 435-652-7656
Anticipated Completion Date: November 30, 2016*